

# Commission of the European Communities



Directorate-General  
for Economic  
and Financial Affairs

# EUROPEAN ECONOMY

Supplement — Series A

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## Recent economic trends

**Further weakening of economic activity.** — As was expected on the basis of the Community business survey, economic activity weakened further in September, and gross domestic product is likely to have declined sharply in the third quarter of the year. The rate of unemployment is rising fast and consumer prices show signs of acceleration. The trade balance of the Community remains in large deficit, and interest rates have moved upwards under the impact of trends abroad. The dollar and the yen have appreciated further against the ECU.

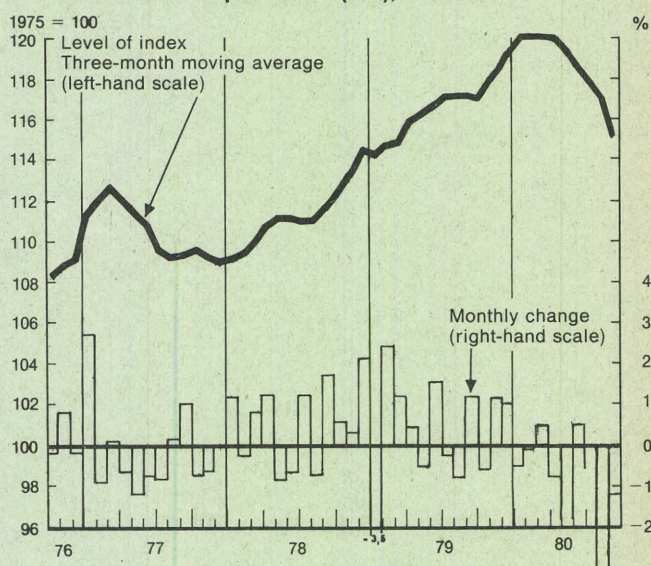
**Downward trend in industrial production confirmed.** — The index of industrial production (s.a.) in the Community in September declined by 1.2%, thus confirming the downward trend in output which began in April. On average for the third quarter the index shows a decline of 2.9% over the previous quarter (Table 1), and the moving three-month average (Graph 1) dropped sharply. Only two Member States (Denmark and Italy) recorded an increase in production (s.a.) in September, but in both cases this followed large falls in the previous month, probably due to incomplete adjustment for seasonal fluctuations in August.

**Unemployment rising at a faster rate.** — The rate of unemployment in the Community (seasonally adjusted) jumped 0.2% in October to reach 6.6% of the civilian labour force. The number of unemployed is now 21% higher than a year ago in the Community as a whole; among the Member States, the increase is most marked in the United Kingdom and Denmark (over 50% higher) followed by the Netherlands, Ireland and Germany. In the latter country the unemployment rate is, at 3.7%, still well below the peak rates of 1975 and 1976.

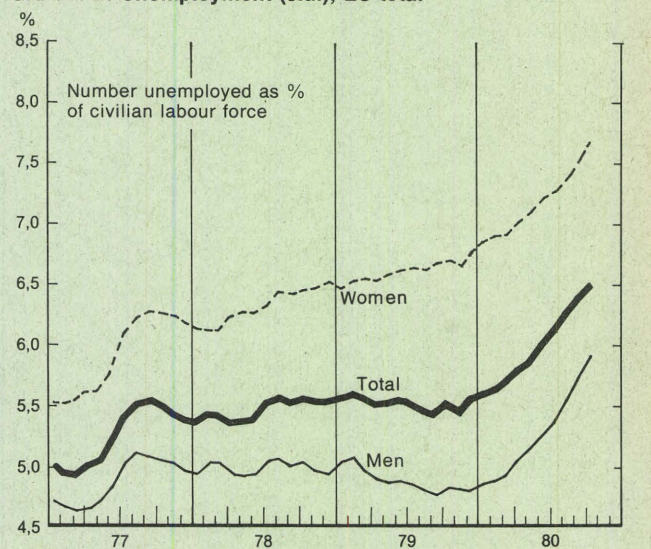
**Hesitant development of prices.** — In October, consumer prices rose by 0.9%, compared with 0.8% in September and 1% in October 1979 (Table 3). There was a slight acceleration in the Federal Republic of Germany, but it is still recording the lowest rate (0.3%), followed by the Netherlands and the United Kingdom (0.6%). In Denmark, Belgium and Luxembourg, prices rose appreciably faster, while in France they gave no sign of slowing down. The twelve-month rise in the index of consumer prices in the Community was 13.1% in October (as against 13.3% in September), but the six-month change (s.a.) was appreciably smaller because April's high rate had dropped out of the index. Preliminary indications for the movement of prices in November, however, point to a further acceleration, partly attributable to tax measures.

**Trade deficit widens slightly.** — The expected reduction in the Community's trade deficit did not materialize in September. Although the situation improved in some Member States (the Federal Republic of Germany, the Netherlands and the United Kingdom), it deteriorated in others (Denmark, France, Ireland and Italy), so that the overall deficit grew by some 200 million ECUs (Table 6 and Graph 4). The preliminary data concerning developments in October in five countries suggests some improvement in the trade balance, of Denmark, Ireland and, notably, the United Kingdom.

GRAPH 1: Industrial production (s.a.), EC total



GRAPH 2: Unemployment (s.a.), EC total



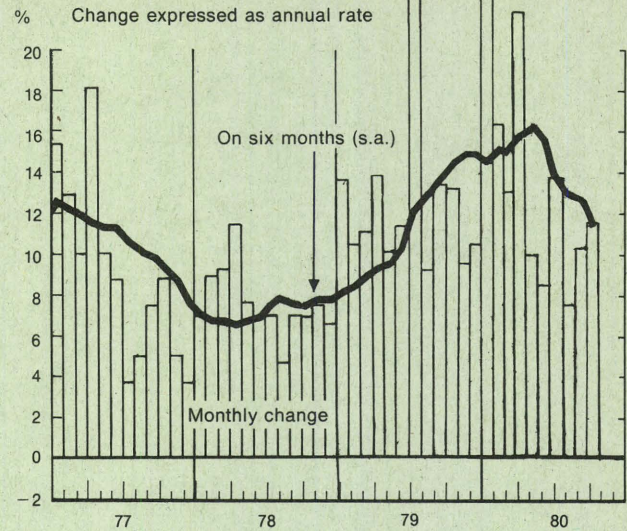


**Pressure on interest rates.** — The rise in the American discount rate on 14 November, followed by the rise in the base rates of major American banks, plus, in most Member States, a persistently high rate of inflation and the need to finance external deficits, brought an end to the fall in short-term rates. Because of the strength of its currency, the United Kingdom was the only country able to cut its Minimum Lending Rate: from 16% to 14%. Except for Denmark, yields did not ease in October on the long-term capital markets. In November, demand for long-term securities was generally still moderate because of uncertainty as to the movement of interest rates and this kept the level of yields high. Monetary expansion slowed in September in the Federal Republic of Germany and France but quickened slightly in Denmark. The figures available concerning developments in October show that the rate of money creation declined slightly in Ireland but remained fast in the United Kingdom.

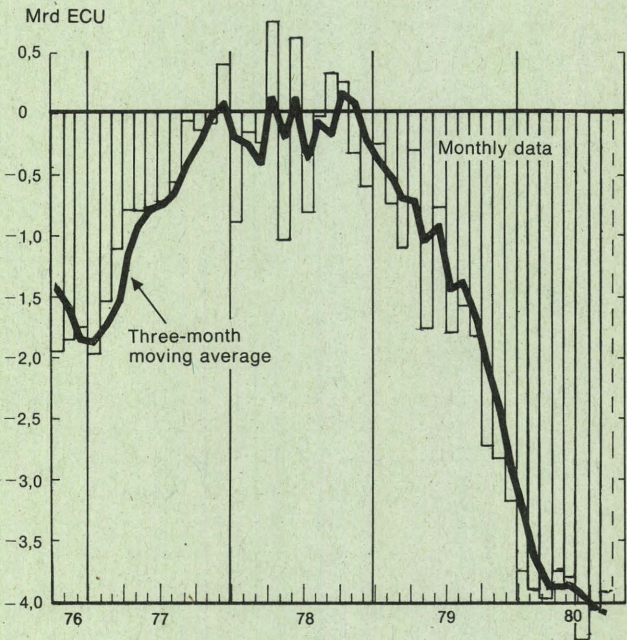
**Dollar and yen still rising.** — The dollar continued to appreciate against the Community currencies in November, mainly because American interest rates rose steadily during the month. The yen also gained ground. Sterling moved partly in line with the dollar and again strengthened against the ECU (by an average of 2.8%). Within the EMS exchange rate mechanism, the currencies changed their relative positions and pressures shifted slightly: the mark improved its position while the Irish pound definitely weakened. The guilder took the place of the French franc at the top of the exchange rate mechanism, while the Belgian franc approached its lower intervention point.

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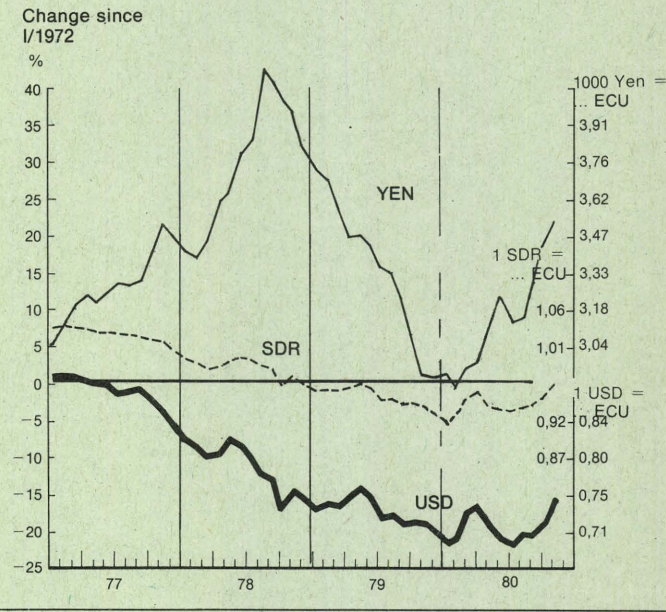
GRAPH 3: Consumer prices, EC total



GRAPH 4: Trade balance (s.a.), EC total

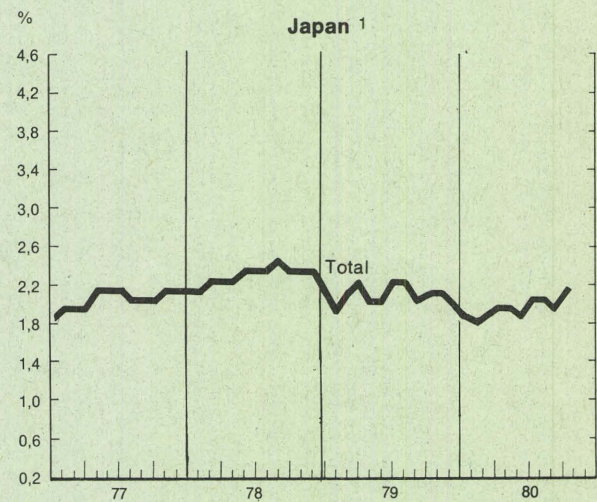
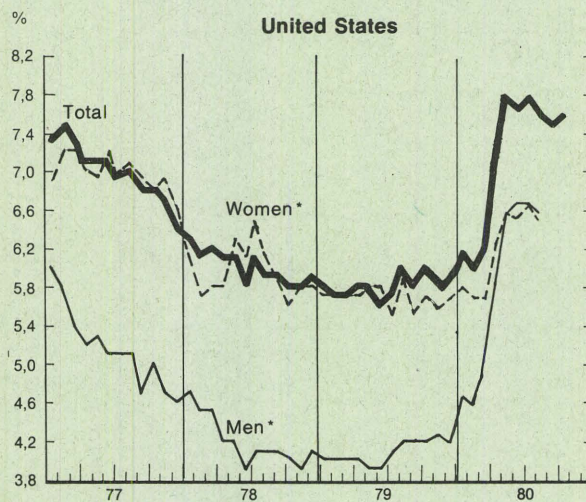
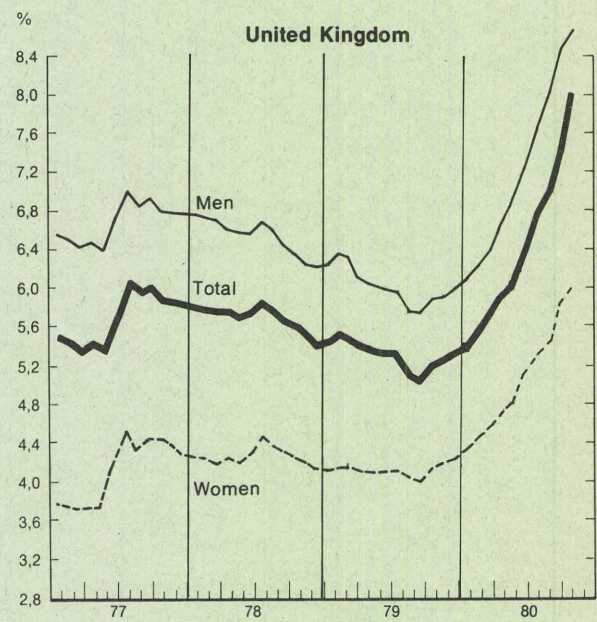
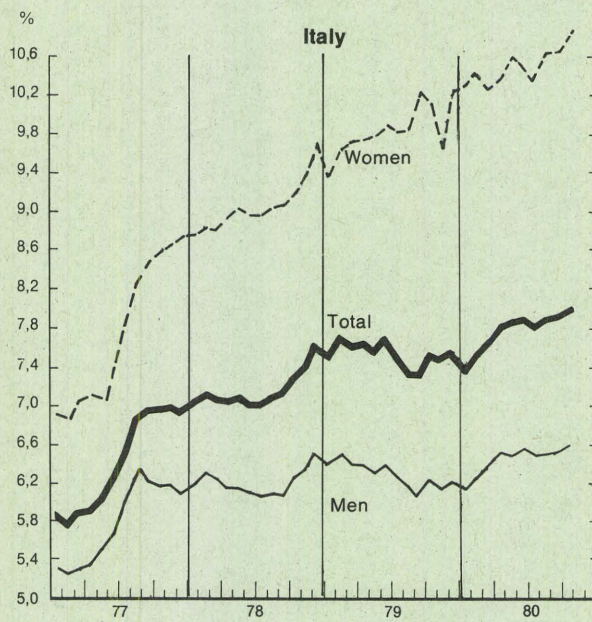
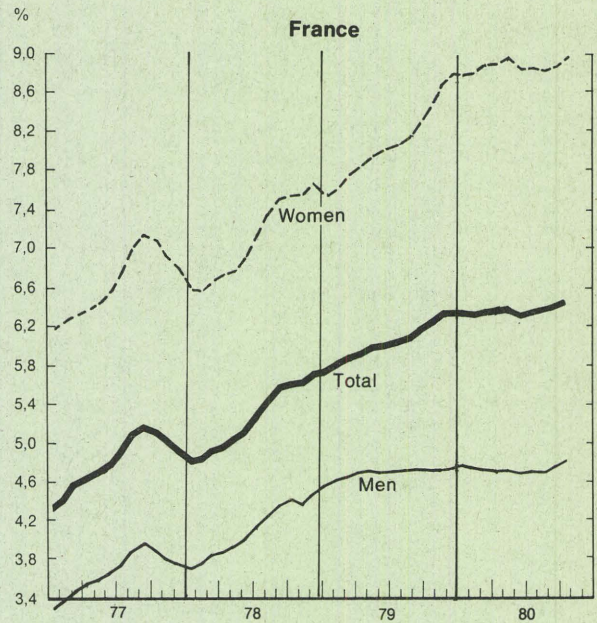
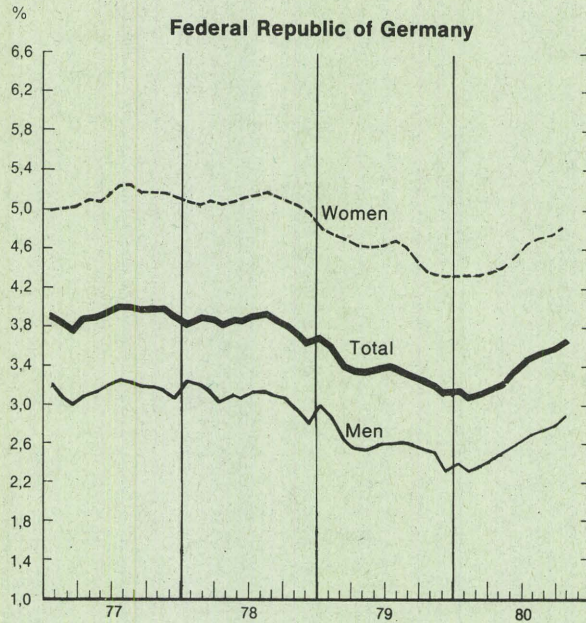


GRAPH 5: Value of USD, yen and SDR in ECUs





**GRAPH 6: Unemployment (s.a.)**  
Number of unemployed as % of civilian labour force



\* Unemployed persons aged 20 or over.  
<sup>1</sup> Number unemployed as % of labour force.



TABLE 6: Trade balance - fob/cif, million ECUs (s.a.)

	1975	1976	1977	1978	1979	1979			1980			1980						Change over 12 months 2
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
DK	-1 359	-2 954	-2 801	-2 198	-2 806	-782	-810	-868	-616	-394	-286	18	-348	-234	-20	-140	-85	203
D	12 224	12 243	14 514	15 934	8 933	1 779	987	1 122	558	835	341	96	121	385	184	266	229	-125
F	-1 700	-7 732	-6 117	-4 097	-6 490	-1 806	-2 073	-4 053	-4 446	-4 565	-1 222	-1 809	-1 415	-1 779	-1 251	-1 534	-1 652	-712
IRL	-461	-772	-876	-1 132	-1 955	-539	-503	-567	-379	-390	-138	-168	-73	-154	-106	-130	-65	154
I	-2 882	-5 981	-2 444	-336	-4 151	-778	-2 012	-3 210	-3 431	-5 285	-1 265	-996	-1 169	-1 534	-1 786	-1 965	:	-1 732
NL	203	317	-1 687	-2 240	-2 619	-798	-1 138	-576	-857	-820	-179	-177	-501	-316	-300	-204	:	86
B/L	-1 626	-2 375	-2 526	-2 890	-3 022	-391	-884	-1 468	-941	:	-164	-252	-525	-336	:	:	:	-199
UK	-7 617	-8 664	-5 246	-5 548	-8 695	-1 927	-1 970	-2 096	-1 901	-553	-909	-452	-541	-140	-301	-112	399	1 549
EC <sup>9</sup>	-3 216	-15 919	-7 184	-2 508	-20 804	-5 240	-8 758	-11 641	-11 907	(-12 100)	-3 760	-3 797	-4 350	(-4 072)	(-3 900)	(-4 100)	:	(-2 300)
USA	-3 017	-13 189	-31 907	-31 014	-27 206	-6 844	-7 292	-9 449	-5 697	(-3 198)	-1 348	-2 747	-1 602	-1 285	(-751)	(-1 162)	:	(1 471)
JAP	-1 700	2 171	8 488	14 285	-5 574	-2 356	-3 505	-3 257	-3 289	(-11 79)	-1 491	-491	-1 307	-1 234	-146	(-201)	(-389)	(776)

TABLE 7: Money supply<sup>9</sup> - Percentage change on corresponding period of preceding year

		1979																		1980									
							1979		1980			1980																	
		1975	1976	1977	1978	1979	III	IV	I	II	III	March	April	May	June	July	August	Sept.	Oct.										
DK	(M2)	25,5	11,4	9,8	6,7	9,9	9,5	9,9	8,5	6,8	7,8	8,5	6,7	6,0	6,8	5,6	6,6	7,8	:										
D	(M3)	8,5	8,4	11,1	11,0	6,0	7,8	6,0	5,9	4,3	4,7	5,9	4,8	4,7	4,3	4,3	4,9	4,7	:										
F	(M2)	15,7	12,8	13,9	12,2	14,4	13,0	14,4	13,0	11,4	11,3	13,0	12,5	12,1	11,4	11,3	11,5	11,3	:										
IRL	(M3)	19,1	14,3	16,3	28,7	19,0	26,2	19,0	14,6	9,2	16,3	14,6	13,4	9,4	9,2	8,6	12,9	16,3	14,8										
I	(M2)	23,5	20,8	21,8	22,8	20,4	20,0	20,4	17,7	16,3	:	17,7	17,3	15,7	16,3	15,2	:	:	:										
NL	(M2)	5,7	22,7	3,6	4,2	7,0	3,8	7,0	5,7	5,0	:	5,7	6,0	8,0	5,0	6,0	6,5	:	:										
B	(M2)	17,2	13,4	9,9	9,7	6,1	6,6	6,1	4,5	3,1	:	4,5	:	:	3,1	:	:	:	:										
UK	(£M3)	7,8	11,3	9,3	13,3	11,7	11,8	11,7	12,0	11,6	17,1	12,0	10,4	11,3	11,6	16,4	18,2	17,1	17,3										
EC <sup>10</sup>		12,9	12,9	12,3	12,7	11,0	11,1	11,0	10,1	8,8	:	10,1	9,3	9,1	8,8	(9,5)	:	:	:										
USA	(M2)	12,8	14,1	10,8	8,3	8,8	9,4	8,8	8,9	8,1	:	8,9	7,5	7,8	8,1	8,8	9,1	:	:										
JAP	(M2)	14,5	13,5	11,1	13,1	9,1	12,1	9,1	9,7	8,5	(6,1)	9,7	9,0	9,1	8,5	8,0	8,9	(6,1)	:										

TABLE 8: Short-term interest rates<sup>11</sup>

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months 2
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
DK	14,5	10,3	14,5	15,4	12,5	17,4	16,5	19,1	18,9	17,9	19,2	18,9	17,8	18,1	17,9	15,5	:	-3,0
D	5,0	4,2	4,4	3,7	6,7	8,0	9,6	9,8	9,9	9,2	10,2	9,9	9,3	9,0	9,2	9,2	9,7	0,0
F	8,0	8,8	9,3	8,1	9,5	11,6	12,6	13,8	12,5	12,6	12,8	12,5	11,6	12,2	12,6	11,4	11,4	-1,0
IRL	11,0	11,8	8,4	9,9	15,9	17,4	18,5	19,0	17,6	13,6	18,0	17,6	16,6	14,8	13,6	13,3	13,7	-3,9
I	10,4	17,6	14,5	11,3	11,5	10,9	16,5	15,8	15,6	14,8	16,0	15,6	16,0	16,0	14,8	17,0	:	6,4
NL	5,3	7,1	4,8	6,6	9,5	9,8	13,0	11,2	10,5	10,3	11,2	10,5	9,5	10,7	10,3	9,3	9,8	-5,0
B	7,4	10,0	7,6	7,3	10,1	12,6	14,5	17,5	14,0	12,6	15,8	14,0	13,0	12,6	12,6	12,5	13,1	-1,3
UK	10,6	10,6	8,1	8,3	13,7	14,2	17,1	18,5	17,1	15,9	17,1	17,1	15,9	16,9	15,9	16,9	14,6	-2,3
EC <sup>10</sup>	7,7	7,5	8,0	7,2	9,6	10,9	13,1	13,7	12,9	12,3	13,2	12,9	12,2	12,5	12,3	12,3	(12,2)	(-0,5)
USA	5,8	5,0	5,3	7,2	10,1	10,1	12,0	13,6	7,4	10,5	7,7	7,4	7,9	10,0	10,5	(12,5)	:	(-0,1)
JAP	:	:	6,2	5,1	5,9	6,5	8,0	12,7	10,9	11,5	12,5	10,9	11,5	10,9	11,5	9,6	:	2,7

TABLE 9: Long-term interest rates<sup>12</sup>

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months 2
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
DK	13,1	13,6	16,6	16,7	15,9	16,6	17,1	19,3	19,3	18,9	19,6	19,6	19,3	18,7	20,0	18,9	17,7	1,4
D	8,5	7,8	6,2	5,7	7,4	7,5	7,9	9,4	8,2	8,1	9,4	8,7	8,2	7,9	7,8	8,1	8,3	0,5
F	10,3	10,5	11,0	10,6	10,0	11,6	12,6	14,4	13,3	13,9	14,0	13,5	13,3	13,4	13,5	13,9	14,3	2,7
IRL	14,0	14,7	12,9	12,8	14,9	15,7	16,3	16,8	14,6	14,6	16,2	15,8	14,6	14,1	14,5	14,6	14,8	-1,8
I	10,4	12,5	15,2	14,2	14,3	14,4	15,3	16,2	15,4	:	16,4	15,8	15,4	16,1	16,3	:	:	2,2
NL	8,8	9,0	8,1	7,7	8,8	8,7	9,4	11,5	10,0	10,3	10,6	10,0	10,0	9,7	9,7	10,3	10,3	1,5
B	8,5	9,0	8,8	8,5	9,7	9,9	11,1	12,5	11,8	12,4	12,0	12,3	11,8	11,8	12,1	12,4	12,6	2,0
L	6,7	7,2	7,0	6,6	6,8	6,8	6,8	7,3	7,5	7,5	7,4	7,4	7,5	7,5	7,5	7,5	7,6	0,8
UK	14,4	14,4	12,7	12,5	13,0	12,6	14,7	14,6	13,8	13,3	14,1	14,0	13,8	13,1	13,9	13,3	13,2	0,0
EC <sup>10</sup>	10,3	10,4	10,1	9,7	10,3	10,7	11,6	12,9	11,9	(12,1)	12,7	12,2	11,9	11,7	11,9	(12,1)	(12,2)	(1,3)
USA	7,0	6,8	7,1	7,9	8,7	8,7	9,6	11,9	9,4	10,9	10,8	9,8	9,4	9,8	10,5	10,9	11,2	1,8
JAP	9,2	8,7	7,3	6,1	7,7	7,9	8,6	10,0	8,6	:	10,3	8,8	8,6	8,9	9,1	:	:	1,2

TABLE 10: Value of ECU — 1 ECU = units of national currency or SDR

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % 2
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
DKR	7,12	6,76	6,86	7,02	7,21	7,28	7,42	7,80	7,84	7,81	7,85	7,81	7,79	7,82	7,83	7,85	7,87	7,1
DM	3,05	2,82	2,65	2,56	2,51	2,52	2,48	2,50	2,52	2,53	2,51	2,51	2,52	2,53	2,53	2,55	2,56	3,3
FF	5,32	5,34	5,61	5,74	5,83	5,88	5,82	5,85	5,85	5,86	5,86	5,85	5,84	5,86	5,88	5,89	5,93	1,9
IRL	0,560	0,622	0,654	0,664	0,669	0,670	0,670	0,675	0,675	0,671	0,676	0,674	0,671	0,670	0,672	0,678	0,685	2,2
LIT	810	930	1 007	1 080	1 138	1 135	1 154	1 162	1 182	1 200	1 181	1 188	1 198	1 197	1 204	1 210	1 214	5,2
HFL	3,13	2,96	2,80	2,75	2,75	2,78	2,76	2,75	2,76	2,75	2,77	2,76	2,75	2,75	2,75	2,76	2,78	0,5
BFR/LFR	45,57	43,17	40,88	40,06	40,17	40,45	40,22	40,54	40,36	40,44	40,34	40,27	40,27	40,44	40,60	40,85	41,14	2,4
UKL	0,560	0,622	0,654	0,664	0,646	0,622	0,652	0,626	0,608	0,597	0,609	0,609	0,607	0,596	0,589	0,573	0,557	-15,1
USD	1,241	1,118	1,141	1,274	1,371	1,389	1,405	1,411	1,391	1,423	1,402	1,423	1,441	1,413	1,415	1,385	1,335	-4,4
YEN	367,7	331,2	305,8	267,1	300,5	303,8	335,8	343,1	321,9	312,8	319,7	310,0	318,3	316,5	303,6	289,7	284,3	-16,9
SDR	1,022	0,968	0,977	1,018	1,061	1,067	1,080	1,082	1,071	1,078	1,074	1,078	1,085	1,076	1,073	1,059	1,041	-3,7

<sup>8</sup> The seasonally-adjusted net balance for the Community does not tally with the total of the net balances of the Member States; this is because it is obtained by seasonally adjusting the total of the gross export and import figures for the various countries.

<sup>9</sup> National sources; last month of the year or quarter; EC excluding Luxembourg.

<sup>10</sup> Average weighted by GDP at current prices and exchange rates.

<sup>11</sup> National sources; EC excluding Luxembourg; three-month interbank rate except: Denmark, call-money rates on the money market (monthly average); Italy, yield of three-month Treasury bills; Belgium, yield at issue of four-month certificates issued by the Fonds des Rentes. Annual average, end of quarter and end of month.

<sup>12</sup> Yield of public-sector bonds. Annual average and average of last month of the quarter, monthly average except for France: end of quarter and end of month.

Note: (s.a.) =



TABLE 1: Industrial production<sup>1</sup> - Percentage change on preceding period (s.a.)

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % 2
						III	IV	I	II	III	March	April	May	June	July	August	Sept.	
DK	- 5,7	9,3	0,8	2,3	3,6	0,6	6,0	-0,2	-4,1	-1,3	-1,2	-1,6	-3,7	2,1	3,7	- 9,6	5,0	- 1,6
D	- 6,2	7,4	2,8	2,0	5,5	1,3	0,5	1,6	-2,3	-2,4	0	-0,8	-2,3	-0,8	2,4	- 1,6	-2,4	- 7,4
F	- 8,9	9,7	1,6	1,6	4,4	3,8	-2,2	0,5	-2,2	0,2	0	0	-3,7	0	2,3	0	-4,4	- 4,5
IRL	- 6,1	9,0	8,1	9,4	6,7	0,9	0,4	0,7	-1,0	:	-2,2	0,6	1,4	-4,8	-0,7	0,3	:	- 2,8
I	- 8,8	11,6	0	2,1	7,7	1,4	8,6	4,1	-2,9	-7,4	-0,9	0,7	-8,0	2,9	-1,1	-13,7	12,5	- 0,1
NL	(- 4,8)	8,0	0	0,9	2,8	0,6	-0,6	3,0	-3,2	-3,9	1,8	-3,4	0,9	-2,7	0,9	- 3,6	-2,8	- 7,1
B	- 9,8	8,1	0,4	2,4	4,3	-0,1	-1,4	4,2	-2,7	-3,1	2,0	-4,4	1,1	1,4	-5,2	4,3	-5,7	- 9,0
L	-21,9	3,8	0,5	3,2	3,4	-1,3	2,0	1,8	-2,4	-7,5	0,6	-0,1	-3,4	-2,7	-0,3	- 6,1	-1,0	-12,3
UK	- 4,8	2,7	4,8	3,1	3,7	-2,6	0	-2,0	-3,7	-3,6	-1,4	-2,3	-0,6	0,8	-1,0	- 3,4	-2,0	- 9,5
EC	- 6,6	7,4	2,4	2,3	4,9	0,8	1,1	0,5	-1,4	-2,9	0,5	-0,9	-1,6	0,6	-0,4	- 3,0	-1,2	- 5,9
USA	- 8,2	10,2	6,5	5,7	4,2	0,2	0,1	0	-5,0	(-2,2)	-0,3	-2,3	-2,6	-1,8	-1,1	1,0	(1,3)	(- 6,4)
JAP	-11,0	11,1	4,1	6,2	8,3	2,0	2,6	4,1	0,1	-2,3	-3,3	1,8	-1,2	-0,9	0,5	- 4,5	3,9	6,1

TABLE 2: Unemployment rate - Number of unemployed as percentage of civilian labour force (s.a.)

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % 2
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
DK <sup>3</sup>	4,6	4,7	5,8	6,5	5,3	5,1	4,7	5,0	5,5	6,2	5,3	5,4	5,8	5,6	6,3	6,6	7,0	50,1
D	4,2	4,1	4,0	3,9	3,4	3,3	3,2	3,1	3,3	3,5	3,2	3,2	3,4	3,5	3,5	3,6	3,7	16,1
F	3,9	4,3	4,8	5,2	6,0	6,1	6,2	6,3	6,3	6,4	6,3	6,3	6,3	6,3	6,4	6,4	6,5	7,1
IRL	8,5	9,5	9,4	8,7	7,9	7,8	7,5	7,6	8,2	9,2	7,9	8,2	8,6	8,9	9,2	9,6	9,9	33,8
I	5,3	5,6	6,4	7,1	7,5	7,4	7,5	7,7	7,9	7,9	7,9	7,9	7,9	7,8	7,9	8,0	8,1	8,4
NL	4,0	4,3	4,1	4,1	4,1	4,2	4,1	4,1	4,4	4,9	4,2	4,4	4,6	4,8	4,9	5,1	5,4	34,1
B	5,3	6,8	7,8	8,4	8,7	8,8	8,8	8,8	9,0	9,5	8,9	9,0	9,1	9,3	9,5	9,8	9,9	14,4
L	0,2	0,3	0,5	0,7	0,7	0,7	0,7	0,7	0,6	0,7	0,6	0,6	0,7	0,7	0,7	0,7	0,8	5,7
UK	3,8	5,3	5,7	5,7	5,3	5,2	5,3	5,6	6,2	7,1	6,0	6,1	6,4	6,8	7,1	7,5	7,9	50,8
EC	4,3	4,9	5,3	5,5	5,5	5,5	5,5	5,6	5,9	6,3	5,8	5,9	6,0	6,1	6,3	6,4	6,6	21,1
USA	8,5	7,7	7,0	6,0	5,8	5,8	5,9	6,1	7,5	7,6	7,0	7,8	7,7	7,8	7,6	7,5	(7,6)	(30,5)
JAP <sup>4</sup>	1,9	2,0	2,0	2,2	2,1	2,1	2,1	1,9	2,0	2,1	2,1	2,0	1,9	2,1	2,1	2,0	2,2	1,8

TABLE 3: Consumer price index - Percentage change on preceding period

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % 2
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
DK	9,6	9,0	11,1	10,1	9,6	5,1	2,6	2,5	3,1	2,8	0,8	1,4	0,2	1,8	0,4	0,5	0,7	10,7
D	5,9	4,3	3,7	2,7	4,1	1,3	0,8	1,8	1,8	0,7	0,6	0,4	0,5	0,2	0,1	0	0,2	5,1
F	11,7	9,6	9,5	9,3	10,7	3,2	2,8	3,9	3,2	3,2	1,2	0,9	0,6	1,5	1,0	0,9	1,1	13,5
IRL	20,9	17,9	13,7	7,7	13,2	4,1	3,7	3,7	7,4	:	2,4	2,4	1,0	1,0	1,0	:	:	18,8
I	17,0	16,8	17,0	12,2	14,8	3,5	5,6	6,5	3,9	4,3	1,6	1,0	0,9	1,8	1,2	1,9	(1,7)	(21,1)
NL	9,9	9,0	6,4	4,2	4,3	0,8	2,0	1,8	2,5	1,1	1,3	0,4	-0,1	0,7	0,3	0,7	0,6	6,9
B	12,8	9,2	7,1	4,5	4,5	1,7	1,4	2,4	0,8	1,8	0,1	0,3	0,2	1,2	0,3	0,6	0,9	7,0
L	10,7	9,8	6,7	3,1	4,5	1,4	1,7	1,7	1,6	1,0	0,6	0,6	0,2	0,4	0,3	0,1	0,8	6,0
UK	24,2	16,5	15,9	8,3	13,4	6,7	2,8	4,7	5,8	2,1	3,4	0,9	0,9	0,8	0,3	0,6	0,6	15,4
EC	13,3	10,8	10,5	7,5	9,9	3,6	2,8	4,0	3,6	2,5	1,7	0,8	0,7	1,0	0,7	0,8	(0,9)	(13,1)
USA	9,1	5,8	6,5	7,6	11,5	3,4	2,8	3,9	3,6	:	1,1	1,0	1,1	0,1	0,6	(1,0)	(1,0)	(12,6)
JAP	10,2	9,3	8,1	3,8	3,6	1,0	1,7	2,1	3,3	(1,3)	1,7	0,9	0,3	0,3	-0,2	1,5	(0,1)	(7,8)

TABLE 4: Wholesale price index - Percentage change on preceding period

	1975	1976	1977	1978	1979	1979		1980			1980							Change over 12 months % 2
						III	IV	I	II	III	April	May	June	July	August	Sept.	Oct.	
DK	5,7	8,2	7,9	4,4	9,0	3,4	3,8	6,3	3,7	:	0,4	0,4	1,1	0	0	1,1	1,0	14,8
D	1,2	5,8	1,8	-0,8	6,9	1,7	1,1	3,9	1,7	-0,2	0,3	0,8	0,2	0,4	-1,0	-0,9	:	5,2
F <sup>5</sup>	1,0	10,1	6,5	4,6	11,8	2,5	3,3	:	:	:	:	:	:	:	:	:	:	13,1
IRL	24,2	19,6	17,2	8,9	(12,5)	1,5	0,4	4,7	4,1	:	1,0	-0,2	0,2	:	:	:	:	9,6
I	8,5	22,9	17,4	8,4	15,4	4,3	5,6	6,6	3,5	:	1,3	0,8	1,1	0,3	0,9	1,2	:	18,2
NL <sup>5</sup>	6,8	6,9	5,4	2,0	(2,9)	2,0	1,3	4,3	:	:	0,3	0,8	-0,1	1,0	:	:	:	9,2
B	1,2	7,1	2,4	-1,9	6,3	1,2	1,5	3,4	-0,5	-0,1	-0,7	-0,8	-0,1	0,2	-0,7	1,5	0,7	4,8
UK	24,1	16,4	19,2	10,5	12,1	5,0	3,1	5,2	4,0	2,4	1,4	1,2	1,0	0,9	0,4	0,4	0,3	14,7
EC <sup>6</sup>	7,4	12,0	9,3	4,4	10,3	3,0	2,7	:	:	:	:	:	:	:	:	:	:	:
USA	9,2	4,6	6,1	7,8	12,5	3,1	3,5	4,6	1,9	(3,1)	0,2	0,5	0,6	1,7	1,2	(-0,2)	(0,8)	(11,9)
JAP	3,0	5,5	1,9	-2,5	7,3	4,9	4,3	6,5	4,8	0,7	2,7	-0,2	-0,1	0,4	0,7	-0,3	(-0,7)	(13,4)

TABLE 5: Gross hourly wages in industry<sup>7</sup> — Percentage change

	On preceding period										On corresponding quarter of preceding year									
	1975	1976	1977	1978	1979	1979			1980			1979			1980			I	II	III
						II	III	IV	I	II	III	II	III	IV	I	II	III			
DK		16,7	11,7	9,1	12,0	12,0	4,7	3,4	3,3	2,7	2,7	:	:	:	10,7	10,6	13,5	14,8	12,6	:
D		7,6	6,4	7,1	5,3	5,7	2,4	2,0	0,1	0,4	4,1	:	:	:	6,1	5,4	5,5	4,9	6,6	:
F		16,7	15,1	14,7	12,3	12,2	3,6	2,1	2,3	3,4	3,9	4,3	:	:	12,9	11,9	12,2	11,8	12,1	14,5
IRL		27,7	18,9	16,7	14,6	15,2	2,1	4,2	7,9	3,0	:	:	:	:	15,1	11,6	18,0	18,2	:	:
I		24,8	20,8	26,7	22,7	16,5	2,9	7,1	5,1	4,8	3,8	6,8	:	:	13,3	17,8	19,3	21,5	22,6	22,2
NL		13,0	11,3	7,9	8,3	6,8	1,7	1,8	0,9	3,5	0,8	1,5	:	:	6,7	7,2	7,2	8,2	7,3	6,9
B		17,4	13,6	10,1	6,6	6,7	1,8	1,0	2,5	1,5	3,3	1,6	:	:	7,0	5,7	8,0	7,0	8,6	9,3
L		12,0	13,9	10,4	7,7	4,0	3,4	-1,2	-1,2	:	:	:	:	:	3,2	3,9	4,6	:	:	:
UK		27,4	16,4	9,4	12,5	14,4	6,3	6,8	1,5	3,1	6,2	5,7	:	:	12,9	17,5	16,3	18,7	18,6	17,4
EC		17,5	13,6	12,3	11,8	11,6	3,8	4,2	2,0	(2,6)	(4,4)	:	:	:	10,9	12,4	12,7	(12,7)	(13,2)	:
USA		9,1	7,9	9,2	8,6	8,4	1,4	2,0	2,2	1,8	1,9	(2,5)	:	:	8,9	8,7	7,8	7,4	8,0	(8,5)
JAP		11,5	12,3	8,5	5,9	7,4	2,3	3,0	0,4	1,8	3,2	:	:	:	7,1	8,4	8,0	7,9	8,8	:

Source: For the Community countries: Eurostat, unless otherwise stated; for the United States and Japan: national sources.

<sup>1</sup> National sources, except in the cases of the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in the methods of seasonal adjustment, the change in the EC index, adjusted by Eurostat and given in Table 1, may differ from the change in the EC index obtained by aggregation of the national indices. The figures are corrected for the number of working days. Excluding building and construction and, in the case of France, the foodstuffs and beverages industry.

<sup>2</sup> For the most recent figure given in the Table.

<sup>3</sup> From January 1979: new series.

<sup>4</sup> As percentage of the total labour force.

<sup>5</sup> National source.

<sup>6</sup> Excluding Luxembourg; weighted average.

<sup>7</sup> United States and Japan: manufacturing industry. Japan: quarterly figures s.a.



## Major economic policy measures — November 1980

### Community (EC)

None.

### Denmark (DK)

27.11 The system of individual ceilings on total credits granted by private banks applied since 1970 has been suspended according to agreement with the Central Bank. It is replaced by a general guideline implying that the overall increase in actual bank lending from end September 1980 to end June 1981 should not exceed 6%. Individual deviations, however, supervised by the Central Bank are allowed if compatible with the overall aim, but sanctions will be applied in case of misuse.

### Federal Republic of Germany (D)

6.11 The Bundesbank announced further measures to relax capital imports. Non-residents are now permitted to acquire domestic securities with a maturity of one year (instead of two years).

27.11 The Central Bank Council of the Bundesbank announced that it has set a target of 4-7% for the growth of the central bank money stock between the fourth quarter of 1980 and the fourth quarter of 1981.

### France (F)

5.11 The Government adopted the 1980 amending finance bill, which provides for FF 40 200 million in net openings of additional appropriations, and FF 39 300 million in increased receipts (the figures include the conversion into endowment capital of FF 12 400 million in Economic and Social Development Fund loans to Electricité de France). The borrowing requirement goes up from FF 31 200 million (initial budget) to FF 32 100 million.

21.11 To absorb the increase in bank liquidity resulting from foreign currency purchases by the Banque de France (mainly to support the German mark), the following adjustments were made, from 21 November, to the system of minimum reserves:

- the rate for reserves against lending was raised from 0.5 to 1.75%;
- the rate for reserves against sight liabilities on residents' accounts was raised from 4% to 4.5%. Bank book accounts and other liabilities in the name of residents were subjected to the rate of 0.5%;
- the demand liabilities on non-residents' accounts, including the accounts of bank or branches established abroad, were subjected to the reserve at the rate of 5%;
- money market rates were lowered by half a point (the cardinal-rate was reduced from 11.25% to 10.75%).

### Ireland (IRL)

19.11 The Central Bank increased the primary reserve ratio which it requires licensed banks to observe, from 10 to 12%.

### Italy (I)

16.11 Telephone charges were raised by an average of some 17%.

20.11 Restoring a provision which had lapsed at the end of September, Parliament decided that part of the burden of industrial firms' social security contributions would be charged to general taxation for the period 30 September 1980 to 30 June 1981.

26.11 The Government decided to open a LIT 1 200 000 million credit line to assist the victims of the earthquake which ravaged the south of Italy on 23 November. Up to 31 December 1980, residents affected by the earthquake will also be exempt from paying VAT and advance instalments on personal income tax, the tax on the incomes of legal persons and local income tax.

### Netherlands (NL)

31.10 For the period 13 September 1980 to 30 June 1981, the Government proposed raising to 12% the basic subsidy for equipment, the rate for the preceding period having been 10%. This subsidy is granted under the law relating to investment support (Wet Investeringsrekening - WIR).

19.11 In the absence of an agreement between the central employers' and workers' organizations, the Government announced a number of measures aimed at moderating the rise of wages and salaries in 1981. The January 1981 adjustment of wages to price rises will be cut by 2 percentage points and the 1981 holiday allowance by half a point. The ceiling for this allowance will be set at 7.5% of an amount corresponding to two and a half times the 'dominant' wage (that of the largest category of wage-earners). Some tax relief is envisaged for those on the lowest wages, while the aggregate amount of family allowances for the first two children will be increased. The Government intends to stimulate employment by subsidies:

- (a) to assist housebuilding, regional development and employment (HFL 200 million),

- (b) to assist exports,
- (c) to improve the financial situation of firms (HFL 700 million).

### Belgium (B)

7.11 The Government approved a draft law introducing a subsidy for residential construction. This subsidy is granted on quite specific conditions and may not exceed BFR 400 000 for new dwellings or BFR 200 000 for renovation.

7.11 The Government introduced, with effect from 1 December, a 5% surtax on certain luxury goods (in addition to the 25% VAT rate).

21.11 The Government decided to extend the law on rents by one year. The maximum authorized increase will be 6%, as against 5% last year.

24.11 The Belgian Government, with the help of a banking consortium, launched a third foreign rollover loan, totalling USD 1 500 million (some BFR 45 000 million).

25.11 At the end of national labour conference, the Government submitted fresh proposals to employers, unions and the professions. The main ones are:

- gross monthly wages and salaries exceeding BFR 35 000 are to be frozen except for index-linked increases; however, a 38-hour week is to be introduced;
- the waiting period for young people declared eligible for unemployment benefit is to be lengthened;
- persons who are not heads of households are to have their unemployment benefit reduced after two years' unemployment; however this period will be extended by three months for each year actually worked;
- the ceiling for calculating social security contributions will be raised.

25.11 The Banque Nationale raised interest rates for Treasury certificates by 0.65 of a point, in three stages.

### Luxembourg (L)

22.11 The Government granted Arbed LFR 7 250 million in aid for its LFR 22 100 million investment programme announced last September.

### United Kingdom (UK)

6.11 The Government announced through a parliamentary written answer, that the rate support grant cash limit for local authorities for 1981-82 will include provision for increases in the level of earnings of 6% for annual settlements in the current wage round.

21.11 The Government announced a range of measures to help the unemployed the most important points of which are:

- an increase in the budget for the Youth Opportunities Programme in 1981-82 which will allow a further 140 000 young unemployed to obtain assistance in training or work experience;
- the replacement of the Special Temporary Employment Programme for the long-term unemployed by a wider Community Enterprise Programme which will provide some 14 000 additional places by the end of 1981/82;
- assistance under the Temporary Short-Time Working Compensation Scheme (designed to encourage employers to adopt short-time working rather than redundancies) will be available for up to nine months (previously six months) at a rate of 50% of daily earnings (previously 75%).

The total cost of these new measures will be UKL 250 million for 1981/82.

24.11 The Chancellor of the Exchequer announced a set of fiscal and monetary measures. The fiscal measures, which apply to the financial year 1981-82, include:

- an increase of one percentage point in employees national insurance contributions (additional revenue UKL 1 000 million);
- a supplementary oil tax (revenue UKL 1 000 million);
- cuts in planned public spending programmes of UKL 1 100 million (1980 survey prices);
- an increase of UKL 620 million in the external financial limits for nationalized industries (excluding British Steel).

In total the measures should reduce the Public Sector Borrowing Requirement for 1981-82 by about UKL 3 000 million below what it otherwise would have been.

In addition minimum lending rate was cut from 16% to 14% and the target growth range for the money supply, sterling M3, was maintained at the previous 7-11% (at an annual rate) for the 14 months to April 1981.

25.11 The Environment Secretary announced a continuation of the moratorium on new local authority housing expenditure introduced on 23 October 1980. A consultative document on council house rents was also released recommending increases of between UKL 2.50 and UKL 3 per week in rents for 1981.

## PRICES

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